CMHC HOUSING OUTLOOK: NATIONAL EDITION

Canada Mortgage and Housing Corporation

Expect steady housing construction

Fourth Quarter, 2003

Overview

Housing starts:
2003: 218,500
2004: 204,100

Resales:
2003: 429,800
2004: 412,000

Housing starts: 2003 has been a solid year for new home construction. However, housing starts will ease in 2004, due in part to rising mortgage rates and less spillover of demand from the existing home market.

House prices: Strong demand and the scarcity of listings have driven prices up. Growth in house prices will continue to exceed overall inflation next year, however, as demand slows and new listings increase, price pressures will ease.

Resales: Low interest rates have supported very strong demand for ownership housing this year. Sales of existing homes will continue at a robust pace in 2003 but will moderate in 2004. (Details on Page 3)

The Nation's HOT SPOTS

British Columbia: Domestic demand in B.C. will have remained strong in 2003, boosted by low mortgage rates, growth in full-time employment and income. As a result, B.C. will have lead the country in terms of growth in housing starts this year. (See Page 8)

Quebec: Positive consumer sentiment, low mortgage rates and rising disposale income have continued to support demand for ownership housing and have driven new home construction higher in 2003. (See Page 13)

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CMHC SCHL

HOME TO CANADIANS
Canada

CMHC — HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) is home to Canadians. In everything we do, we help Canadians live in safe, secure homes.

As the Government of Canada's national housing agency, we play a major role in Canada's housing industry. CMHC develops new ways to finance home purchases. We encourage innovation in housing design and technology. Our mortgage loan insurance helps Canadians realize their dream of owning a home.

Canadians benefit from our work with all levels of government, public, private and not-for-profit partners to improve the quality, accessibility and affordability of rental housing everywhere in Canada.

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National Housing Outlook

In Detail

Housing starts will increase to 218,500 units in 2003, the highest level in 14 years. In 2004, starts will moderate, falling to 204,100 units.

Single starts have peaked

Single detached starts were at their highest level in over a decade in 2002. Single starts were slightly over 125,000 units, up 30.6 per cent from the previous year. Construction of new single detached homes will again have been strong this year, however, as mortgage rates begin to edge higher, there will be a gradual retrenchment in the level of starts over the course of 2004. For 2003, we expect single starts to reach 121,700, down a moderate 2.9 per cent from last year, and a further decline of 4.4 per cent to 116,400 units is expected in 2004. Single starts will be down this year overall mainly due to decreases in Ontario and Alberta.

In 2002, demand for housing far exceeded the supply, causing shortages of trade labour in many centres. Looking ahead, as the level of starts begins to taper off, we expect the pressure on the trade labourers will begin to moderate and the lags in construction times should begin to shorten.

Multiple starts will gain share

Since 1998, apartment starts have been the fastest growing segment of the multiple dwelling market. Most of the apartment units started were condominiums. In 2002, there was a significant pick-up in starts of owner-occupied semi-detached and row markets, reflecting increased demand by homebuyers for relatively less expensive new homes. We expect multiple dwellings starts in 2003 to increase to 96,800 units, up 21.5 per cent from 2002. As with singles, multiple starts will taper off in 2004, declining 9.4 per cent to 87,700 units.

MLS® sales poised for another solid performance in 2003

MLS® sales for all of Canada reached an all-time high in 2002, reaching 421,227 units. In spite of the slow pace of economic growth so far this year, we expect sales of existing homes to rise this year but to moderate in 2004. Data available for 2003 shows that activity remained very strong. Resales will set a new record in 2003. Resales, agregated accross the 10 provinces should reach 429,800 units, just slightly above last year's level of 420,676. Resales will fall in 2004 by 4.1 per cent to 412,000 units.

Price pressures will continue

Resale markets are still quite tight in many centres, therefore, house prices will continue to rise at rates above inflation both for the remainder of this year and 2004. However, supply will eventually respond (and is already doing so in some markets) in the form of new listings as potential sellers are drawn into the market by strong price increases. With demand expected to ease slightly over the remainder of this year and in 2004, the resale market will move closer to a balanced position causing price gains to moderate relative to last year's pace. We expect an average price increase of 9.3 per cent in 2003 and 4.8 per cent in 2004.

Spotlight: Resale market foreshadows continued strength in starts

The resale home market has historically been a good predictor of future housing starts, leading the new home market by 3-12 months. Therefore, an analysis of the current resale market can shed some light on the direction of starts in the near term.

Notice the pattern in housing starts and in the sales-to-new listings ratio. They have been very similar over the past ten years. The recent decline in the ratio suggests starts will cool off from their recent peak.

The sales-to-new listings ratio is quite high, even though it has come off its peak. This reinforces our forecast that the new home market may cool slightly but construction will continue at high levels over the next 12 months.

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Trends Impacting Housing

Economic Growth stalled early this year, but is revving up.

Growth in the Canadian economy slowed in the second half of 2002 and remained weak in the first half of 2003. The string of unexpected events (SARS, Mad Cow, the Ontario blackout, forest fires in BC and Hurricanes on the east coast) has had an impact on growth. Economic growth for 2003 will end up being slower than originally forecast, primarily because of these events and because of the sudden appreciation of the Canadian dollar. Growth will end up at 1.9 per cent for this year. The momentum going into 2004 is brighter however because of the recovery from these external factors and the rapid improvement in the U.S. economic outlook. Growth is expected to strengthen, rising to 3.0 per cent for 2004.

In the U.S., many economic indicators are becoming increasingly positive. However, there has been less than adequate job growth in the US and the mortgage refinance backed consumer spending has likely run its course. Nonetheless, interest rates are at very low levels and the lower U.S. dollar is making American exports more competitive internationally. Furthermore, the federal fiscal stimulus package should boost growth in the later stages of this year.

One of the key risks that could jeopardize our economic forecast would be a continued appreciation of the Canadian dollar, which would make our exports less competitive and would worsen our trade balance, put pressure on corporate profits and stifle economic growth. At about 77 cents, the Canadian dollar has now appreciated more than 20 per cent against the U.S. dollar since January. Another key area of risk is a potential stumble in the U.S. economy. Although the U.S. rebound looks to be in place, unless it is acompanied by job growth over the next two or three quarters, U.S. consumer spending could begin to slow. This combined with the rising Canadian dollar would result in lower demand for Canadian exports.

Lower than expected immigration in 2003

Demographic shifts are leading to social transformations. The immigration targets for 2003 are for between 220,000 and 245,000 immigrants, however, year to date data has been running at levels more consistent with under 200,000 arrivals. Immigrant housing demand tends to be initially for rental with movement into ownership about 10 years later. As for household composition, Statistics Canada's 2001 Census revealed additional demographic shifts that could have a significant impact on housing. There has been an increase in one-person and two-person households and a decline in larger households, along with a larger proportion of young adults living with their parents — an increase of 14 per cent since 1996, thus reducing demand for ownership housing.

Mortgage Rates are near 50 Year Lows

The Bank of Canada lowered its target for the overnight lending rate by 25 basis points on September 3rd to 3.00 per cent. Previously the Bank had cut rates 25 basis points after two consecutive increases of 25 basis points in March and April. A rapid decline in the outlook for inflation and the weakness in the Canadian economy because of the appreciating Canadian dollar, SARS, and other external factors were behind the Bank of Canada's decision to ease monetary conditions. Although we do not expect the Bank of Canada to lower the overnight rate again this year, the chances of the Bank doing so, increase as the dollar continues to appreciate.

While mortgage rates are expected to start rising slowly by the end of this year, they will remain low by historical standards. One, three and five-year posted closed mortgage rates are expected to be in the 4.50-5.25, 5.75-6.50, and 6.25-7.25 per cent range respectively this year. The mortgage rates are forecast to rise by 0.50-0.75 per cent next year.

Employment & Income Continue to Grow

The rate of job creation slowed in the first half of 2003 but appears to be rebounding. The unemployment rate, currently at 7.6 per cent (October) is low from a long-term perspective but high relative to the average of the last 3 years. However, the share of the population actively participating in the labour force is near an all-time high as is the proportion of people in the population that are employed. Therefore, we feel that the labour market in Canada is fairly tight and that future employment growth will be more in line with labour force growth. Employment is forecast to grow by 2.2 per cent in 2003, slowing to 2.0 per cent in 2004. Real after tax income has grown rapidly since 1997, however, growth slowed recently due to the run-up in inflation. Nevertheless, income growth and tight labour markets will continue to help support housing demand into 2004.

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Trends at a Glance

Key factors and their effects on residential construction

Factor	Comment	Impact 2003	Impact 2004
Mortgage rates	Mortgage rates are near 50 year lows, providing a significant boost to housing demand. As rates start to rise next year, some stimulus to housing demand will be removed.	++	+
Employment	Employment gains late in 2002 have supported housing demand in 2003. The pace of job creation has slowed in 2003, reducing the stimulus to housing demand.	+	=
Incomes	The slowdown in employment growth in 2003 has slowed real wage gains, however, as job growth picks-up in 2004 so will income growth.	=	+
Net migration	Large migration inflows since 1987 have boosted housing demand. The more recent decline in net in-migration due to global geopolitical instability won't affect home ownership for many years.	+	+
Natural population increase	Natural population growth is slowing, which will cause household formation to slow over time. However, births that occurred 20 to 30 years ago are behind the small increases seen in home ownership today.	+	+
Consumer confidence	Consumer confidence remains strong and will continue to support housing demand.	+	+
Resale market	A better balance between new listings and buyers in resale markets will eventually temper the demand for new housing.	+	-
Inventories of new and unoccupied units	The low inventory levels of newly constructed, unoccupied dwellings stress the need for new construction to meet the demand.	+	+
Vacancy rates	Low vacancy rates in many centres should spur multiple starts. As vacancy rates rise this impact will moderate.	+	=

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Special Report:

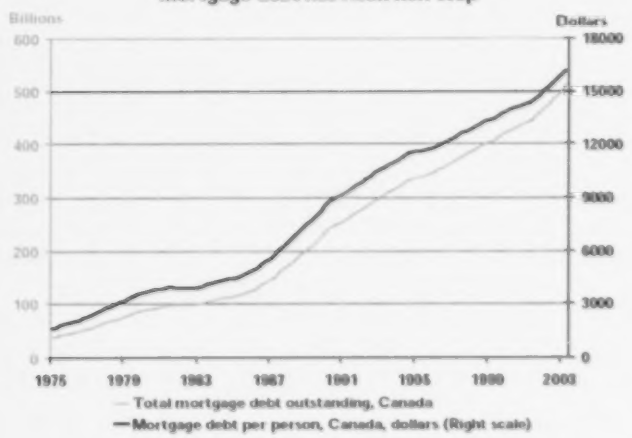
Mortgage debt of Canadians is high, but manageable

Low interest rates keep the carrying cost of high mortgage debt levels manageable.

The amount of mortgage credit outstanding should be closely followed, because the amount of mortgage debt and the ability of Canadians to finance that debt is ultimately an important driver of demand for housing.

The first chart shows the total level of mortgage debt outstanding per person in Canada, with the most recent data to the second quarter of this year. It has been rising for the last 30 years, at an average annual rate of about 10 per cent, despite widely varying economic conditions. Canada's constantly rising debt may on the surface seem to be cause for alarm, however it is important not only to look at the level of debt but also at other indicators that can help evaluate if that level of debt is sustainable.

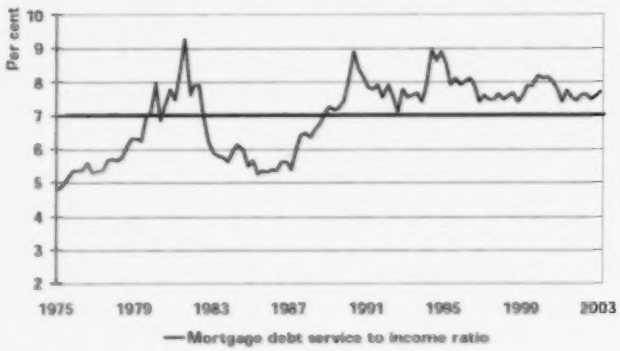
Mortgage debt has risen non-stop



Source: CMHC, Statistics Canada adapted from CAMSIM II

The second chart illustrates the debt service ratio, which is the ratio of mortgage payments (based on a five year mortgage rate and a 15 year amortization) to aggregate income. The debt service ratio provides a representative picture of the mortgage debt burden. Individuals typically look at their monthly mortgage payments relative to their incomes when determining what is within their means. The chart suggests that current mortgage indebtedness of Canadians is not at a peak. Right now this ratio is sitting at about 7.5 per cent, which is higher than the 30-year average of seven per cent but is lower than previous peaks that have occurred at nine per cent or higher.

Mortgage debt burden moderately high



Source: CMHC, Statistics Canada adapted from CAMSIM II

This ratio has been very cyclical, showing peaks and troughs over the past 30 years. Some of this fluctuation can be attributed to mortgage credit, which increases more rapidly in hot markets due to increasing house prices. However, the mortgage payment reflects both the level of debt and the mortgage rate, and it is the cyclical nature of mortgage rates that has caused most of the cyclical movements in the above ratio. That is clear from the third chart, which shows the 5-year mortgage rate. Note that peaks in the level of interest rates have tended to correspond with peaks in the debt service ratio. A behavioral shift that seems to have taken place over the past decade is that as mortgage rates go down, individuals

Five-year mortgage rate

Source: CMHC, Statistics Canada, CAMSIM II

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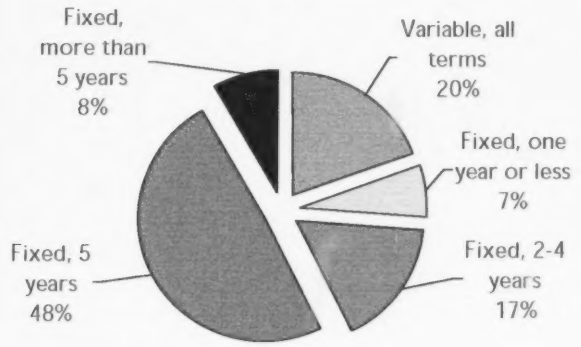
have taken on more debt to the point where the debt service ratio seems to have had a floor of about seven per cent over the past few years.

Although the debt service ratio suggests that the current level of debt is manageable, the high level of debt is not without risks. One important source of risk is the potential impact of higher interest rates on the sustainability of current debt levels. For example, the payment on a $150,000 mortgage, amortized over 25 years, would increase by about $190 per month if interest rates were to increase by 200 basis points from current posted rates. The higher the level of debt the more exposed Canadians are in the event of an increase in interest rates. The risk can be quantified using the results of the FIRM* survey, which shows that only about 1 in 5 mortgage holders has a variable rate mortgage (VRM). Therefore, for 4 out of 5 mortgage holders the change in mortgage rates only affects them at renewal time, which could be years away.

Mortgage holder term selection



Source: FIRM Survey, June 2003

Home owners with variable rate mortgages or fixed rate terms of one year or less represent about 26 per cent (19.6%+6.7%) of mortgage holders. These are the mortgage holders that are most exposed to fluctuating interest rates over the next twelve months, however, some of the remaining 74 per cent of homeowners who hold longer term mortgages and whose mortgages are up for renewal during the next year will also be exposed. A rough calculation suggests that the mortgage debt service to income ratio would increase from 7.5 per cent to about 8.0 per cent over the next 12 months if interest rates were to immediately increase by 200 basis points.

However, looking farther ahead, the increase in mortgage rates, if sustained, would cause the mortgage debt service to income ratio to rise even further as more mortgage holders reach the point where they must renegotiate their loans.

Another risk is on the income side of the debt service ratio. As long as income keeps growing at a rate sufficient to prevent increases in the debt service ratio, the ability to service larger levels of debt will be preserved. However, a prolonged economic slowdown or a slowdown in the rate of income growth could make it more difficult for Canadians to service incremental debt. The next chart suggests that the cycle in the mortgage debt service cost of Canadians is related to the cycle of economic growth. In this chart the mortgage payment to income ratio is on the right hand scale with the growth rate of Canada's GDP on the left hand scale. Peaks in the debt service ratio (P in the chart) have preceded troughs in economic activity (T in the chart) in four of the past five economic slowdowns. The current mortgage debt service cost is relatively high but not at peak levels.

Mortgage debt service and the economic cycle

Source: CMHC, Statistics Canada CANSIM

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British Columbia

Overview

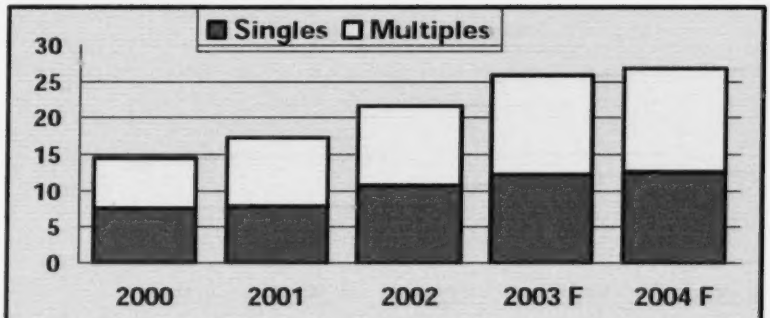
Momentum continues in BC housing construction

Housing starts in BC will expand by over 20 per cent in 2003 to reach 26,000 units with growth slowing to just under 4 per cent in 2004 (27,000 units) as housing demand is partly tempered by rising interest rates. Very high levels of sales of existing homes and low inventories of completed and unoccupied units will continue to support new residential construction as homebuyers look to meet their housing needs in the new home market.

2003 is shaping up to be similar to last year in terms of the economic outlook for the province. The domestic side of the economy, including consumer spending and residential construction, continues to benefit from the stimulus of low interest rates. Solid employment gains and growth in labour income are contributing to improved consumer confidence. On the trade side, the provincial economy is benefiting from higher natural gas prices and a growing oil and gas sector. However, export duties on softwood lumber and a stronger Canadian dollar will have a dampening effect on exports. The US is BC's largest trading partner, with two-thirds of the province's goods exports bound for the US market. As the US economy picks up momentum later in 2003 and in 2004, the BC economy will benefit. Improving overall economic conditions will attract more people to British Columbia and as a result, the province's population will grow in line with the national average.

Sales of existing homes are on track to top last year's record level. New listings will not keep up with demand, so house prices will rise over the next twelve months, bringing about an increase in new and available listings which will eventualy slow the price gains.

B.C. Starts (000's)



Source: CMHC

In Detail

Single Starts: Single starts, the most preferred type of housing, are set to increase to 12,200 units in 2003, a 14 per cent increase from 2002. In 2004, single starts will increase slightly to 12,500 units

Multiple Starts: Rising land costs and very low apartment inventory levels in the major urban centres of Vancouver and Victoria will spur construction of multiples. Multiple starts are projected to increase 27 per cent to 13,800 units this year and a further five per cent to 14,500 units in 2004.

Resales: Sales of existing homes will remain at relatively high levels. Rising but low mortgage rates will support home buying throughout British Columbia. Total MLS® resales will increase by seven per cent in 2003, with a total of 88,600 houses changing hands. The volume of existing home sales will decline by seven per cent in 2004 as interest rates begin to rise and population growth moderates.

Prices: With low inventories of available housing, upward pressure on prices will continue even as the volume of resales declines in 2004. Established neighbourhoods continue to demand the highest prices in the market. The average price will increase to $255,000 in 2003 and $263,000 in 2004.

Provincial Highlight

On July 2, 2003, the International Olympic Committee chose Vancouver, British Columbia to host the 2010 Olympic and Paralympic Winter Games. An economic impact study conducted by InterVISTAS Consulting Inc. estimates that combined with an expanded Vancouver Convention Centre, the Games could generate $10 billion in direct economic activity and create 228,000 direct and indirect jobs across the province. The world focus on the Vancouver/Whistler region will provide opportunities not just for those communities directly involved in hosting the Games, but also for other regions around the province.

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Alberta

Overview

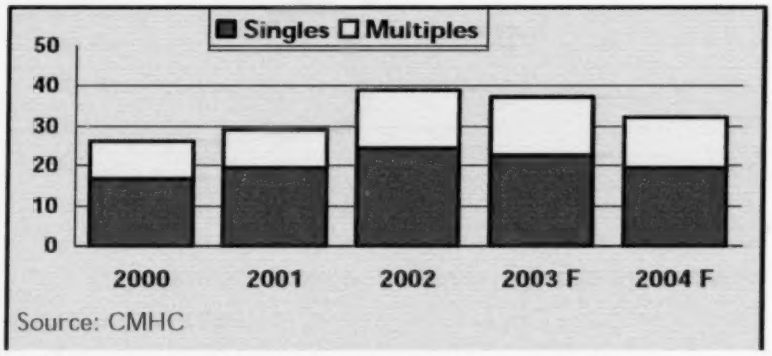
Starts return to sustainable levels

Alberta, Canada's third largest provincial economy, will grow by 3.5 per cent this year and next. Growth will be underpinned by consumer spending, capital expenditures in the energy sector and higher levels of oil and gas exports.

The positive impact of economic growth will be reflected in the province's job market. The provincial economy is anticipated to generate 48,500 jobs in 2003 and 43,000 jobs in 2004. As a result, the unemployment rate will remain more than two percentage points below the national average of 7.7 per cent.

The strength of Alberta's job market relative to British Columbia, Ontario and Quebec means that people from other parts of Canada will continue to move to this province in search of employment opportunities. With more people moving in than moving out, inter-provincial migration will add 23,000 people to the provincial population this year and 21,000 next year. International immigration will further supplement these gains. Population gains will fuel growth in the number of households and help keep demand for rental and owned housing at robust levels.

Alberta Starts (000's)



Source: CMHC

Despite a positive economic and demographic outlook, housing starts will decline from 37,200 units in 2003 to 32,200 units in 2004. The prospect of rising mortgage rates and prices has encouraged households to purchase units this year, thus stealing activity that normally would have taken place next year. Lower starts activity, however, does not indicate a significant downturn in the market, rather it indicates that new home construction is returning to a more sustainable pace. The 32,000 level will still yield the third best performance on record since 1981.

In Detail

Single Starts: Single-family starts are on track to post the second best year on record in 2003. Single-detached starts will decline from 22,500 units this year to 19,700 units in 2004, a drop of about 12 per cent. The lower activity will primarily be due to greater competition from the existing home market and the higher price of new single-detached homes. In 2004, the price of a new single-detached house is forecast to reach $277,000 and $240,000 in Calgary and Edmonton, respectively.

Multiple Starts: Multiple-unit construction is expected to total 14,700 units this year, and 12,500 units in 2004. With prices rising in the new single-family market, condominium units will remain strongly in demand. Nonetheless, concerns over higher condominium inventory levels and rising rental vacancy rates will warrant caution among investors and developers.

Resales: Overall economic fundamentals remain positive for the resale market. MLS® sales will decrease to 49,000 units in 2003. Resale activity is expected to moderate over the coming months as the combination of higher prices and mortgage rates raise the cost of homeownership. Activity will also be constrained due to a lack of listings at the lower end of the price spectrum. However, at 47,000 units, 2004 will be the fourth best year on record.

Prices: A rise in the number of listings is causing sellers to moderate their price expectations. Next year, the continued balance between supply and demand will cause the average MLS price to rise in line with the overall inflation rate. The average price in 2004 is forecast to be $190,000, up from $183,000 in 2003.

Provincial Highlight

In Edmonton, the price of a new single-detached home has surpassed $220,000. New units priced under $160,000 are now a very small proportion of the total market while units priced over $200,000 are well over half the market. The rising average cost of a typical single-family lot has added to the upward momentum in prices, along with increased costs for labour and materials. Houses have also increased in size this year by 2.4 per cent from the first half of 2002 to 1,741 square feet. On a per square foot basis, a typical new house including land increased in price by 8.7 per cent from January-to-June. When land cost is excluded, the average structure price increase is just under eight per cent from the same period last year to $89 per square foot.

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Saskatchewan

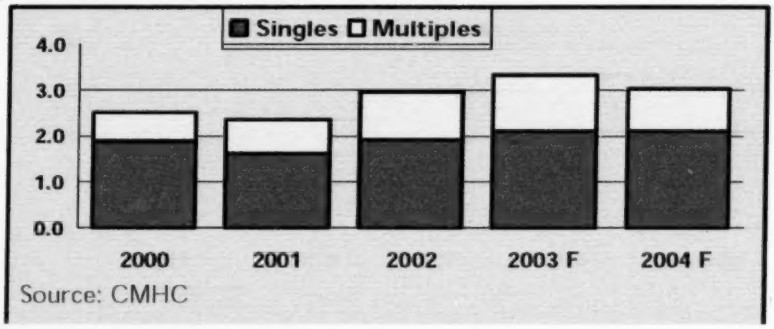
Overview

Housing Starts Drive Economic Growth

Following a decline in economic output for two consecutive years, the Saskatchewan economy is expected to post a growth rate of 2.5 per cent in 2003 and three per cent in 2004. The anticipated recovery reflects a rebound in agricultural production, a strong level of activity in the oil and gas sector and a healthy pace of new home construction.

The traditional view is that economic growth drives housing starts. However, over the past twelve months, new home construction has been a major propeller of economic growth. Despite a decline in the overall population, the number of households in the province continues to rise, albeit at a modest pace. With mortgage rates near 50 year lows, more households have been induced to move from rental to home ownership. With the lack of supply of quality resale homes, a substantial portion of this demand has spilled over to the single-detached new home market.

Saskatchewan Starts (000's)



Source: CMHC

Saskatchewan's demographic composition is also favourable towards the multiple-family market. With 40 per cent of the population over the age of 45, demand for condominium and care-free housing is on the rise. Moreover, Saskatoon and Regina have the largest proportion of young workers, who have a higher propensity to rent, among the Prairie Census Metropolitan areas. Nearly twenty per cent of the jobs in these two centres are held by individuals between the ages of 15 to 24.

Due to the above mentioned factors, total starts will reach 3,350 units in 2003 and 3,050 units in 2004. This will be the first time since the mid-1980s that new home construction will exceed the 3,000 mark for two consecutive years.

In Detail

Single Starts: In recent months, builders have been busy preparing show homes and rushing to meet existing contracts. The number of units under construction in Saskatoon and Regina have reached their highest levels since 1988 and1992, respectively. Single-detached starts will reach 2,100 units in 2003 and 2004. This level is about 350 units above the ten year average. Activity levels in 2004 will not exceed this year's pace as the depletion of smaller homes on lower-priced lots pushes some potential buyers out of the market.

Multiple Starts: At 1,250 units, multiple starts will reach a 15 year high in 2003. Private rental apartment projects of significant size have made an appearance for the first time in more than a decade although Senior's projects also remain popular. Row housing style projects are dominating the condominium market, surpassing apartment and semi-detached styles which were more common in previous years. Activity levels will scale back in 2004 as builders allow the new supply to be absorbed. Nevertheless, at 950 units, multi-family starts will be about 200 units higher than the ten year average.

Resales: Existing home sales are being restrained by a shortage of listings rather than limited demand. About 7,500 MLS sales are expected this year and next. A modest increase in activity in Saskatoon and Regina will be off-set by a decline in the rest of the province. The two cities will account for over three-quarters of all resales.

Prices: The resale price in Saskatoon and Regina is rising in excess of inflation due to steady demand and sales of higher priced homes. Over the next year, prices gains in the two cities will outpace those of other centres in the province. In 2004, the average resale price for the province will rise to $108,000, up nearly three per cent from the 2003 price of $105,000.

Provincial Highlight

With new single-detached activity being at robust levels, an examination of CMHC's Market Absorption Survey allows an analysis of home buying patterns by price range. For example, at mid-year, the most popular price range for Regina home buyers was $170,000 to $189,999 capturing 29 per cent of single-detached absorptions. Homes priced in excess of $190,000 were not far behind with 28 per cent of absorptions. In Saskatoon, 31 per cent of single-family absorptions were priced in the $150,000 to $169,999 range. Year-to-date average price in Regina is $182,163 while in Saskatoon it is $181,611.

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Manitoba

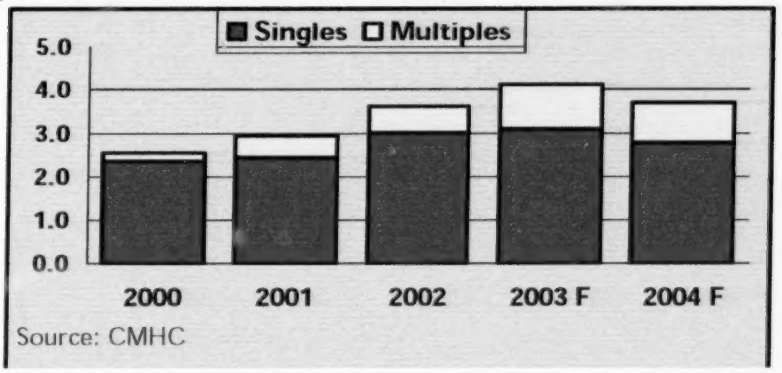
Overview

New Home Construction Bright Star of Economy

Economic growth in Manitoba has been below the national average since 1998. This trend is forecast to continue with growth of 1.5 per cent this year and 2.5 per cent next year. The major reason for the sluggish performance is the negative impact of a higher Canadian dollar and a weak U.S. economy on exports.

Economic growth is also being held back by a shortage of skilled labour. The shortage is exemplified by two indicators, employment growth and the unemployment rate. Both are well below the national average. Firms across several industrial sectors report having difficulty filling vacant positions. The shortfall of workers is being amplified by the loss of individuals to other provinces. The lack of skilled labour is puting pressure on businesses to enhance the productivity of the existing pool of employees.

Manitoba Starts (000's)



Source: CMHC

On a brighter note, the one major catalyst for economic growth in 2003 has been the residential construction sector. The combination of low mortgage rates, a lack of listings in the resale market and demand for empty nest housing from an aging population has been a potent tonic for the new home market. Total housing starts will finish the year at 4,150 units, the best performance on record since 1989.

In 2004, most factors keeping new home construction buoyant will stay in place. However, the combination of rising mortgage rates and house prices will cause single detached activity to slightly scale back. At 3,700 units, total starts will still remain about 1,000 units above the ten year average.

In Detail

Single Starts: Single-family starts in 2003 will rise slightly to 3,100 units. Moving forward, builders will continue to fulfill orders to satisfy the demand from households seeking to move to home ownership while mortgage rates remain low. However, the level of activity will be slightly lower as the weak job gains of 2003 and rising mortgage rates mitigate some of the demand. Single-family starts are forecast to fall by 9.7 per cent to 2,800 units in 2004.

Multiple Starts: Driven by a strong seniors' market and low rental vacancy rates, multiple starts will total 1,050 units in 2003. This pace is expected to subside in 2004 even though a large rental project is expected to complete a second phase, and several Seniors' projects are poised to start construction. Multiple starts in 2004 will drop to 900 units.

Resales: While conditions are balanced in most provincial centres, Winnipeg is currently experiencing Sellers' Market conditions. Active listings have been declining since 1998 while low mortgage rates have favored an increase in demand. The lack of listings will continue to hamper sales which will remain flat at 10,800 this year and edge down to 10,500 next year.

Prices: With Winnipeg leading the way, the average resale price for the province will increase by almost nine per cent to reach $105,000 in 2003. Price gains will moderate over the next few months as the prospect of higher mortgage payments curb demand. The average MLS price in 2004 is forecast to be $108,000.

Provincial Highlight

Multiple-family starts in Winnipeg are on pace to post their best performance since 1999 and shows no signs of slowing down next year. Much of the activity is being driven by an increased demand for Seniors' housing. Demand which in part is being fueled by rising resale prices as an aging population has finally seen the equity in their homes appreciate, and they are now better able to afford trading down to a new multi-family home.

Also, for the first time in over ten years, a major rental project has broken ground in Winnipeg. By the time all the phases are completed, this project will add over 300 units to one of the tightest rental markets in the country. Add to this an Affordable Housing Agreement that encourages rental and multi-family construction, starts in Winnipeg will remain strong over the forecast period.

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Ontario

Overview

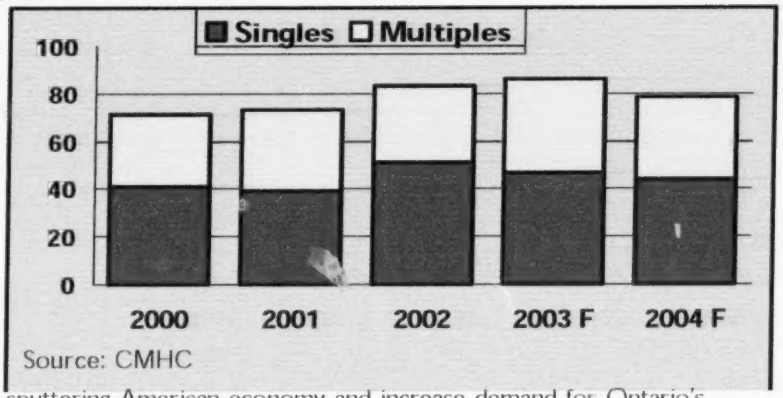
Multiple starts lead the way in 2003

Ontario's housing markets have picked up steam. Home prices are up. New home starts moved higher in the third quarter. In July, sales of existing homes broke all monthly records on a seasonally adjusted basis and sales in August remained high. Sales through the multiple listings services tend to be a leading indicator of home starts and suggest construction will be high in the fourth quarter as well. The brisk pace of housing activity is a response to low mortgage rates and high levels of consumer confidence. Economic growth and jobs are crucial to housing demand. The province's annual job growth rate will set a three year record despite a flattening of recent monthly numbers brought on by: spring and summer tourism and hospitality industry restraints from the SARs outbreak, August's power blackout, and lower exports to the U.S. as a result of a strong Canadian dollar. On the other hand, retail sales are tracking higher and a recent jump in the United States composite leading indicator added to expectations that the extremely stimulative monetary stance of the U.S. Federal Reserve will boost the sputtering American economy and increase demand for Ontario's manufactured goods.

Demand for housing will be driven by the high immigration levels experienced since the late 1980s. Ontario with its established social and ethnic networks will remain the destination of choice for over half of Canada's newcomers. New arrivals tend to rent until they become established, often for a decade or so. A September Citizenship and Immigration Canada announcement of a relaxation of the pass mark for federal skilled worker applicants suggests future increases in immigration. Inter-provincial migration flows have been a fraction of the international ones and for the first half of this year registered as net outflows. The implications are that job opportunities and the cost of living in other parts of Canada are becoming relatively more attractive.

Housing starts will increase to 86,300 units this year falling to 78,500 units in 2004.

Ontario Starts (000's)



Source: CMHC

In Detail

Single Starts: Gradually, increases in mortgage rates and rising prices will shift demand away from the higher priced single detached segment this year and next. Demand from first time buyers who lack of home equity will be the most sensitive to increases in carrying costs for this most expensive home type. This year's 46,900 single detached starts forecast represents a modest pull back from 2002's exceptional performance — the second highest in the past 14 years. Another small decrease to 44,000 next year will make 2004 the third highest level in 14 years.

Multiple Starts: A jump in condominium apartment construction has pushed multiple family home starts up in 2003. Freehold row home construction will also be strong. Carrying costs are similar to rents, so that first time buyers and investors alike are purchasing units. Look for multiple starts to rise 21.3 per cent this year to 39,400 units and then to ease to 34,500 units in 2004.

Resales: Mortgage rates near historic lows, high consumer confidence and a rising supply of new existing home listings pushed sales to new heights. For 2003, MLS ® sales are on track to breach last year's record coming in at an all time high of 186,000 home sales. Resales are forecast to pull back marginally in 2004 to 176,000 units.

Prices: Sales to new listings ratios, which are a leading indicator of prices, remain high in most Ontario centres, suggesting that home prices are heading up. The rising supply of homes coming onto resale markets will ease price pressures in 2004, but increases will still outpace the general rate of inflation. The average resale home price will rise 8.1 per cent this year and an additional 6.5 per cent in 2004.

Provincial Highlight

The stock of Toronto's investor held condominiums offered for rent resumed its downtrend this year. Recent data from CMHC's Toronto Condominium Survey confirms that condominiums sold out of the rented condominium stock outpaced newly completed condominiums offered for rent. The price for a Greater Toronto Area condominium apartment was up four per cent year-to-date in August suggesting that these units were easily absorbed as first-time buyers took advantage of record low interest rates.

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Quebec

Overview

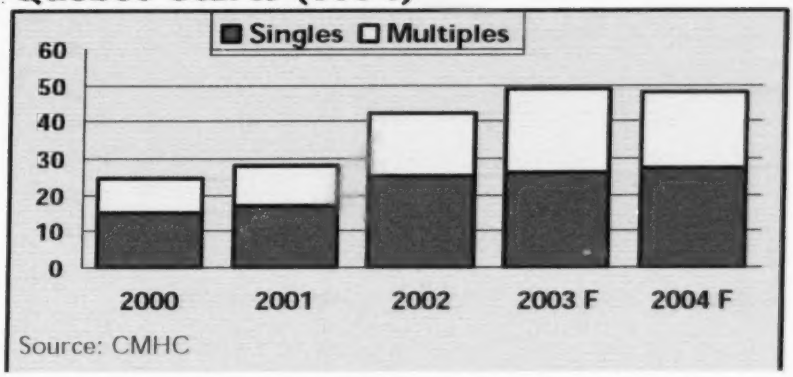
Residential construction continues to grow in 2003

Year-to-date results suggest that economic and demographic factors continue to support high levels of activity in the housing market in 2003. Construction will start on 49,000 units in Quebec this year.

In 2003, the Quebec economy has suffered the effects of a temporary weakening of the forces that were driving the province's economy last year. Despite a flat labour market in the first half of 2003 and uncertainty regarding the U.S. recovery, consumer confidence levels have remained fairly high. Consumer spending should continue to be supported by last year's strong job growth, higher disposable incomes and relatively low interest rates. While private investment has started to recover, this will be more than offset by falling public spending in Quebec this year. Foreign trade has been weak due to the stagnating U.S. economy, the rapid climb in the value of the Canadian dollar and slumps in key sectors of the economy (air ransport, automotive and some high tech niches). As the US economy and these key sectors regain momentum, growth in foreign trade will rebound.

We expect provincial GDP to grow by two per cent in 2003. Employment has grown at a more moderate pace this year and the unemployment rate has hovered around 9 per cent. Employment growth will strengthen starting in 2004. Low mortgage rates in 2003 as well as increased net migration and tight housing markets have supported strong residential construction and housing starts will climb to 49,000 units in 2003 edging down to 48,000 units in 2004.

Quebec Starts (000's)



Source: CMHC

In Detail

Single Starts: Recent significant job creation, ongoing low mortgage rates, relatively strong consumer confidence, and tight housing markets will continue to boost demand and sustain single detached home building. Starts in this market segment are forecast at 26,000 units in 2003 rising slightly to 27,300 units in 2004.

Multiple Starts: In 2003, construction of multiple housing units in Quebec have benefited from persistently tight rental markets, the popularity of condominiums in certain centres, and persistent demand for retirement housing, which is also tight. Multi-family starts will rise to 23,000 units in 2003 but fall to 20,700 units in 2004.

Resales: While demand in the existing market will have remained strong this year, MLS® sales will not match last year's record level of 71,001 units. Nevertheless, low mortgage rates and listings in the existing home market will generate MLS® sales of 69,000 units in 2003 edging up to 70,000 in 2004.

Prices: Demand for existing homes will continue to be motivated by low mortgage rates and run into what remains a relatively tight supply. This will be reflected by resale markets that continue to be favourable to sellers and by significant upward pressure on prices. We expect the average price in this market to reach $149,000 in 2003 rising to $161,000 in 2004.

Provincial Highlight

Construction of multi-family housing continues to grow in Quebec's urban centres. Indeed, after rising by more than 50 per cent last year, housing starts in this market segment are up by nearly 35 per cent so far in 2003. This increase is not only generalized across tenure types but at a regional level as well (especially for rental construction).

Recent growth in demand for multi-family housing stems from a variety of underlying factors. Recent increases in net migration and the progressive aging of the population is driving demand in the rental and condo segments. Also, low inventories and significant price increases on resale markets are turning households toward the condominium as an alternative. While some of these factors are more long term in nature, others may soon be more or less pronounced, making the multi-family sector one to watch in the coming years.

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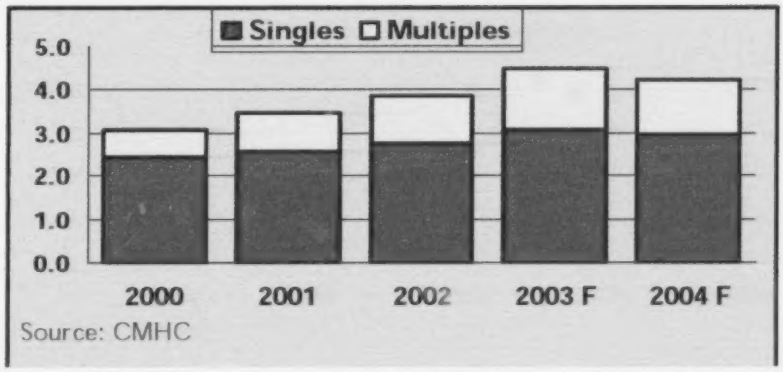
New Brunswick

Overview

Strong housing market despite weaker provincial economic growth

Economic growth in 2003 will unlikely match the pace set last year. Consumers are not spending as much as in previous years. Year-to-date retail sales have been fairly flat, and new motor vehicle sales are down significantly. Employment growth has weakened, and employment insurance benefit payments have increased significantly so far this year. Non-residential construction, farm cash receipts and sawmill production have all experienced negative growth in 2003. However, the provincial economy is expected to bounce back in 2004. Major capital projects such as the $400 million twinning of the TransCanada Highway and the $750 million conversion of the Coleson Cove Generating Station will fuel economic growth. Recent decisions by NAFTA and the WTO in Canada's favour on the softwood lumber issue should boost provincial lumber exports. As a result, expect the provincial economy to grow by 2 and 2.5 per cent in 2003 and 2004, respectively. Employment should also grow at a slower pace of 0.5 per cent in 2003, before bouncing back to 1.5 per cent in 2004.

New Brunswick Starts (000's)



Source: CMHC

Despite slower economic growth, low mortgage rates have continued to stimulate new home construction in 2003 as starts rise to 4,500 units. However, residential activity is expected to decline in 2004 with starts slowing to 4,200 units. The drop in starts will mainly be the result of a decline in multiple starts.

In Detail

Single Starts: Despite a slow start due to severe winter conditions, single starts bounced back this summer, reaching a 30-year high. The pace is not expected to slow down any time soon. Current low mortgage rates will continue to allow many households to become homeowners. A burst of activity by both first-time and move up buyers will cause single starts to rise to 3,080 this year, before dropping slightly to 2,970 in 2004.

Multiple Starts: Low borrowing costs have stimulated multiple starts in 2003. Multiple starts will also remain strong next year, but will unlikely match this year's level. Higher vacancies expected in most larger urban centres will discourage builders to start as many units in 2004. Expect multiple starts to reach 1420 units, before dropping to 1,230 units in 2004.

Resales: The resale market has been trending up at a record pace, and there is no indication that it will slow down any time soon. Strong consumer confidence, employment growth, intra-provincial migration and a rise in listings are all key factors which will stimulate MLS® sales over the forecast period. MLS® resales will reach a level of 5,200 units this year, and 5,350 units in 2004.

Prices: Rising listings may ease the pressure on the currently tight resale market conditions. However, this may be offset by potential homebuyers continuing to take advantage of low mortgage rates to buy bigger more expensive homes. As a result, expect the average MLS® price to increase by 2.9 and 1.5 per cent in 2003 and 2004, respectively.

Provincial Highlight

Between 1996 and 2001, over 3,600 people moved to Westmorland County. More than 60 per cent of them came from the predominantly francophone northeast region of the province. This migration pattern explains in part the near 40 per cent growth in Dieppe's population since 1991. As a result, Dieppe now enjoys city status, with a population just under 15,000. Besides intra-provincial migration, job opportunities and low mortgage rates are viewed as two key factors which are stimulating housing demand. In fact, the City of Dieppe has played an important role in Greater Moncton's housing success with a record high of 346 units started in 2002. The expansion of the road infrastructure and the Dieppe industrial park, the proposed downtown project, the new international airport are all key factors which continue to stimulate economic growth in Dieppe.

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Nova Scotia

Overview

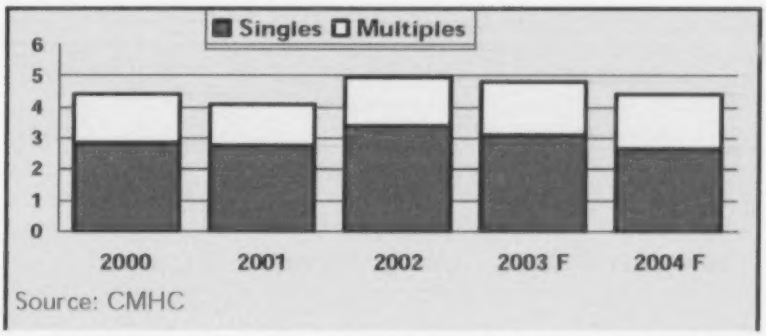
After the gold rush

Housing activity is clearly on the decline from the exceptional performance of 2002 and this trend is expected to continue throughout 2004. In the absence of solid employment growth and related in-migration to the province in recent years, strong home sales and construction activity has been driven almost exclusively by a prolonged period of low mortgage rates which encouraged many buyers to jump into the ownership market. Consequently, as mortgage rates rise gradually through the end of next year, ownership housing demand is expected to weaken substantially.

There has been no positive news emerging from the fledgling offshore energy industry in Nova Scotia to brighten a generally dull economy. While there is no specific sector of the economy which is performing poorly, most are experiencing appreciable declines from 2002's heady growth rates. With residential construction activity (which has done much of the heavy lifting in the economy in recent years) on the decline, more of the same appears to be in store for the provincial economy this year and next. Expect provincial GDP growth to hover near the 2.5 per cent mark in 2003 and 2004.

The impressive performance of housing markets in Nova Scotia in 2002 obscured the absence of the economic fundamentals required to support further short-term growth in the industry in an environment of climbing mortgage rates. As a result, expect total housing starts to fall from just under 5,000 units last year to 4,775 units this year and 4,400 in 2004.

Nova Scotia Starts (000's)



Source: CMHC

In Detail

Single Starts: As home ownership demand continues to soften, single detached housing starts are poised for significant declines in 2003 and 2004. Expect to see 3,100 starts this year and only 2,650 next year as increasing ownership carrying costs join underlying demographic trends to shift builders' product offerings from predominantly executive single family homes to more modest, middle density alternatives.

Multiple Starts: Multiple unit starts are expected to take centre stage in the provincial residential construction market. In 2003 multiple starts will increase to 1,675 and will remain strong at 1,750 units in 2004. Developers will continue to begin new rental projects in anticipation of accelerating demand as the economy strengthens in 2004 while rising ownership carrying costs and continued increases in construction costs will conspire to encourage further growth in the revitalized semi, row and apartment condominium markets in Halifax.

Resales: Sales of existing homes in the smaller markets around the province have buoyed overall provincial resale market activity so far in 2003, but this is not expected to continue much longer. Existing home sales are expected to fall to 9,450 this year and to 8,900 in 2004 as rising borrowing costs and the effects of weak employment growth in recent years dampens ownership demand.

Prices: Resale home price growth has been slightly stronger this year than anticipated. However, active listings have begun to rise in recent months while the pace of sales continues to slow -- a recipe for weaker price growth. Look for average resale price increases of 7.4% this year and only 2.2% in 2004.

Provincial Highlight

When provincial results from Statistics Canada's Consumer Price Index (CPI) for Nova Scotia are compared with national figures, an emergent trend over the past year and a half is that Nova Scotians are facing a faster rate of rising prices than for Canadians overall. Year-over-year cost of living figures in Nova Scotia have outpaced national inflation figures by as much as 2.5 per cent since early 2002. While a variety of factors are responsible for these gains, including automobile insurance premiums and fuel costs, it will be interesting to see if housing demand is reduced by these inflationary pressures.

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P.E.I.

Overview

Rural single starts up sharply from 2002 levels in the first half of 2003

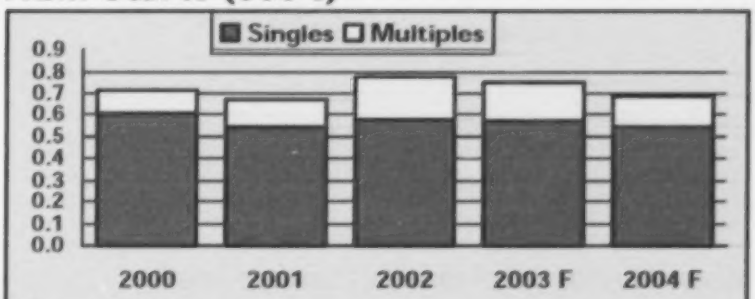
Provincial GDP growth will slow to 2.0 per cent in 2003 down considerably from last year's pace when the Island's economy was rebounding from a number of setbacks that stalled growth in 2001.

Economic growth in 2003 will have been the result of continued strength in residential construction and a substantial improvement in nonresidential construction, combined with a stronger agriculture sector. Over the forecast period, a normal potato crop has been assumed for both years. As a result of increased output in the agricultural sector, the food processing industry should also have a strong year in 2003, as it relies heavily on the local producers for its raw materials. Tourism is also expected to remain strong in both 2003 and 2004, despite the stronger Canadian dollar.

Employment and labour force growth on the Island are expected to remain positive in both 2003 and 2004. The service sector should continue to experience employment gains over the forecast period, due to the Island's diversifying economy. In the construction sector there are a number of projects, both residential and nonresidential, that will continue to support increased employment activity.

Housing starts are expected to reach 750 units in 2003, a decrease of only 3.2 per cent from the decade high level reached in 2002. The strength in housing starts in 2003 is expected to come mainly from multiple starts in the Charlottetown area. In 2004, housing starts will slide further, reaching 685 units.

P.E.I. Starts (000's)



Source: CMHC

In Detail

Single Starts: Construction of single-family homes will remain strong at 575 units in 2003 down only 7 units from the 2002 mark of 582, which was the highest since 1988. Through the first half of 2003 rural starts have shown exceptional growth over last year's levels, and are expected to be the main area of growth for single starts. In 2004, single starts are forecast to fall to 550 units.

Multiple Starts: Multiple starts in 2003 are expected to reach 175 units, down 18 units from 2002. This growth has come entirely from the Charlottetown market, where several large apartment style projects have started. In 2004, multiple starts are expected to fall to 135 units, as there are currently no large projects slated for construction.

Resales: MLS® sales in PEI have hovered around the 1200 mark for the past four years, and this is expected to continue in 2003 and 2004. While the demand for existing homes remains strong, the diminished supply of listings continues to be the main factor limiting an increase in MLS® sales.

Prices: After several years of strong price growth, fuelled by a shortage of listings and the strong demand for existing homes in the provinces urban centres, the average MLS® sales price is expected to increase by a modest 1.0% in both 2003 and 2004.

Provincial Highlight

Over the past two years the small town of Borden-Carelton has experienced a number of significant projects, as a benefit of their close proximity to the Confederation Bridge. The two most significant of these projects are the Master Packaging expansion and the Atlantic Beef Products Inc. plant which is scheduled to begin construction in late 2003.

Combined, these two projects will cost approximately $33 million. In addition to the construction costs, these projects will create an additional 170 jobs which will certainly have a positive economic impact on this community of less than a 1,000 people.

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Newfoundland and Labrador

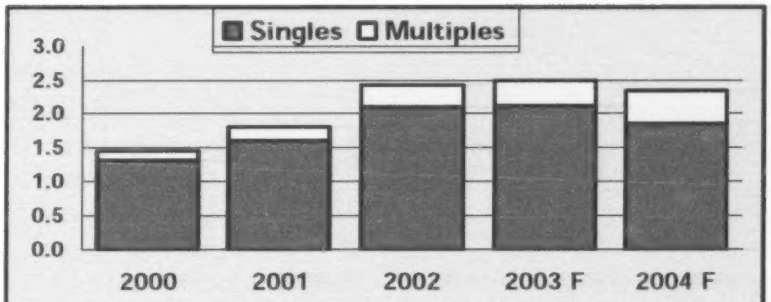
Overview

Economic upturn continues at a reduced pace

The provincial economy is once again poised to lead the country in economic growth in 2003 marking the fourth time in the past six years that it has led the pack. The outlook for 2004 calls for growth to continue, albeit at a reduced pace from the levels achieved in recent years. The expectation that oil production will flatten out next year means that economic growth will be largely dependent on underlying strength in other sectors. Expenditures on White Rose and Voisey's Bay will increase next year with direct employment on both projects expected to double from current levels. Sustained employment and income growth will keep consumers in an upbeat mood. Rising incomes and low, albeit rising, borrowing costs will underpin another year of robust retail trade activity.

Despite recent events surrounding another closure of the cod fishery along the northeast coast and gulf regions, rural areas have been unexpectedly resilient. This largely reflects steady growth in harvesting jobs and higher incomes associated with more lucrative fisheries such as shrimp. Pent-up demand stemming from the fisheries downturn of the 1990's has also begun to materialize in recent years. While rural areas will remain buoyant relative to the previous decade, gradual population declines related to out migration will moderate future growth. The St. John's region, with its larger and more diversified economy, will continue to attract people from outlying areas. When combined with another solid economic performance, expect housing markets in the capital region to remain strong next year. Starts in Newfoudland will rise 3.3 per cent to 2,500 units in 2003 but slide in 2004 to 2,350 units.

Newfoundland and Labrador Starts (000's)



Source: CMHC

In Detail

Single Starts: Rising labour and material costs will continue to place upward pressure on construction prices again next year. When combined with slightly higher interest rates, mortgage carrying costs will rise. While sales of new homes will remain strong the rise in carrying costs will likely exacerbate the shift towards less expensive dwellings such as townhouses and duplex units. This will come at the expense of single starts in 2004. Single starts will edge up to 2,125 units this year falling to 1,850 in 2004. Despite the expected decline, single starts will remain well above the levels achieved during most of the last decade.

Multiple Starts: The recovery in multiple starts will continue over the forecast period. Multiple starts will increase to 375 units in 2003 and 500 units in 2004. Expect condominium construction to gather momentum as underlying demographic demand from seniors and smaller households provide a boost. Demand for more affordable townhouse and duplex units and public sector investment in support of affordable housing will also bolster multiple starts.

Resales: A surge in sales activity during the third quarter ensure that MLS sales match last year's performance in 2003. The low interest rate environment has brought forward a portion of future demand with resales expected to fall marginally in 2004 to 2900 but this level is very strong by historical standards.

Prices: With more new homes being sold through the MLS, the combination of higher construction costs and strong demand will push the average MLS price up 5 per cent this year and 4 per cent in 2004.

Provincial Highlight

Like other segments of the market, demand for condominiums within the St. John's region has been growing in recent years. While sustained employment and income growth coupled with historically low mortgage rates are key factors for the upturn in demand, demographics are also contributing. Smaller household sizes due to an aging population and immigration from areas where condominium markets are more mature is also stimulating demand. In 2002, MLS® condo sales advanced almost 15 per cent from 2001 levels while the average price of condos increased 3.8 per cent to just below $102,000. This trend has continued throughout the first eight months of 2003 with MLS® sales trending higher and average price rising to $109,155. Demographics suggest that demand for condominiums will continue to increase over the longer term. As the supply of vacant stock available for conversion to condos dries up, more construction activity is expected.

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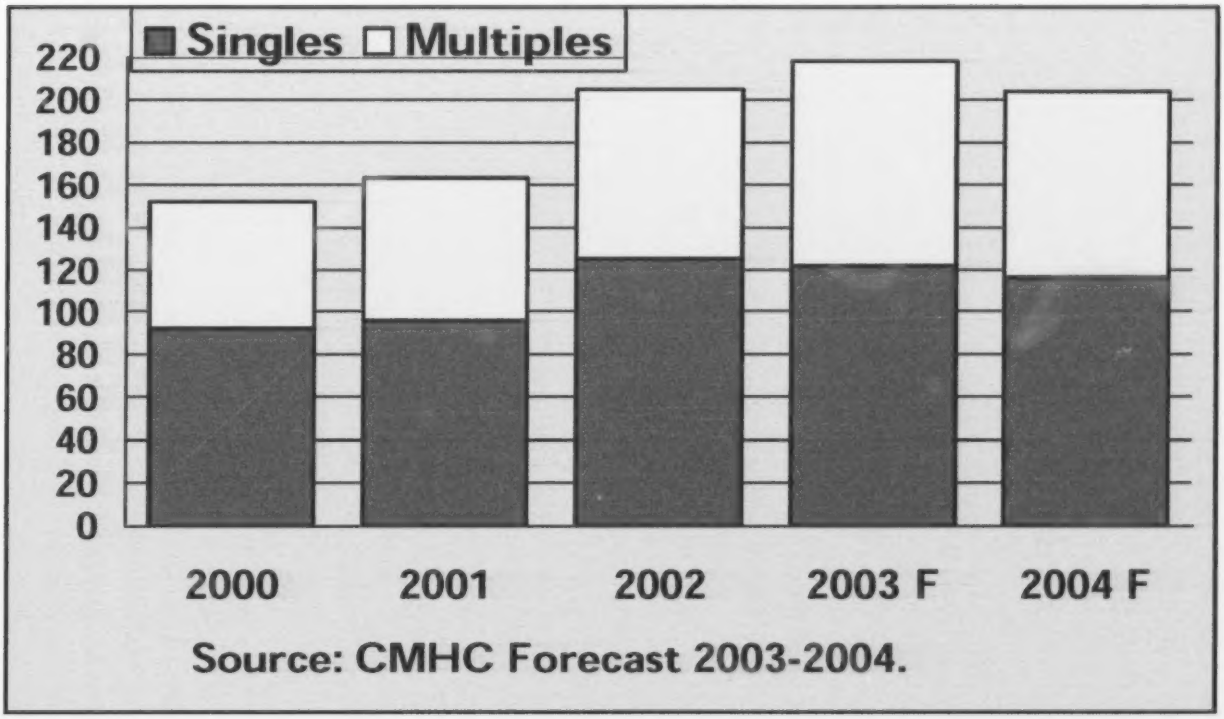
Canada Starts (000's)



Source: CMHC Forecast 2003-2004.

Total Housing Starts
(units and annual percent change)

	1998	1999	2000	2001	2002	2003(F)	2004(F)
NFLD	1,450	1,371	1,459	1,788	2,419	2,500	2,350
%	-14.5	-5.4	6.4	22.5	35.3	3.3	-6.0
PEI	524	616	710	675	775	750	685
%	11.5	17.6	15.3	-4.9	14.8	-3.2	-8.7
NS	3,137	4,250	4,432	4,092	4,970	4,775	4,400
%	-17.7	35.5	4.3	-7.7	21.5	-3.9	-7.9
NB	2,447	2,776	3,079	3,462	3,862	4,500	4,200
%	-9.4	13.4	10.9	12.4	11.6	16.5	-6.7
QUE	23,138	25,742	24,695	27,682	42,452	49,000	48,000
%	-10.7	11.3	-4.1	12.1	53.4	15.4	-2.0
ONT	53,830	67,235	71,521	73,282	83,597	86,300	78,500
%	-0.4	24.9	6.4	2.5	14.1	3.2	-9.0
MAN	2,895	3,133	2,560	2,963	3,617	4,150	3,700
%	10.8	8.2	-18.3	15.7	22.1	14.7	-10.8
SASK	2,965	3,089	2,513	2,381	2,963	3,350	3,050
%	7.5	4.2	-18.6	-5.3	24.4	13.1	-9.0
ALTA	27,122	25,447	26,266	29,174	38,754	37,200	32,200
%	14.6	-6.2	3.2	11.1	32.8	-4.0	-13.4
BC	19,931	16,309	14,418	17,234	21,625	26,000	27,000
%	-32.1	-18.2	-11.6	19.5	25.5	20.2	3.8
Canada	137,439	149,968	151,653	162,733	205,034	*218,500	*204,100
%	-6.5	9.1	1.1	7.3	26.0	6.6	-6.6

Source: CMHC Forecast 2003-2004.
(F) Forecast.
* Total does not add due to rounding.

Single-detached Starts
(units and annual percent change)

	1998	1999	2000	2001	2002	2003 (F)	2004 (F)
NFLD	1,086	1,233	1,315	1,598	2,092	2,125	1,850
%	-11.0	13.5	6.7	21.5	30.9	1.6	-12.9
PEI	387	472	614	551	582	575	550
%	3.5	22.0	30.1	-10.3	5.6	-1.2	-4.3
NS	2,257	3,345	2,856	2,761	3,363	3,100	2,650
%	-23.2	48.2	-14.6	-3.3	21.8	-7.8	-14.5
NB	1,989	2,201	2,442	2,573	2,769	3,080	2,970
%	-6.4	10.7	10.9	5.4	7.6	11.2	-3.6
QUE	14,685	15,798	15,349	17,193	25,257	26,000	27,300
%	-8.6	7.6	-2.8	12.0	46.9	2.9	5.0
ONT	32,737	39,421	41,087	39,632	51,114	46,900	44,000
%	-7.5	20.4	4.2	-3.5	29.0	-8.2	-6.2
MAN	2,368	2,231	2,348	2,460	3,016	3,100	2,800
%	17.3	-5.8	5.2	4.8	22.6	2.8	-9.7
SASK	2,154	2,070	1,890	1,627	1,931	2,100	2,100
%	10.2	-3.9	-8.7	-13.9	18.7	8.8	0.0
ALTA	20,077	16,688	16,835	19,769	24,520	22,500	19,700
%	10.5	-16.9	0.9	17.4	24.0	-8.2	-12.4
BC	8,691	8,731	7,448	7,862	10,730	12,200	12,500
%	-32.7	0.5	-14.7	5.6	36.5	13.7	2.5
CAN	86,431	92,190	92,184	96,026	125,374	*121,700	*116,400
%	-7.2	6.7	0.0	4.2	30.6	-2.9	-4.4

Source: CMHC Forecast 2003-2004
(F) Forecast.
* Total does not add due to rounding.

Multiple Starts
(units and annual percent change)

	1998	1999	2000	2001	2002	2003 (F)	2004 (F)
NFLD	364	138	144	190	327	375	500
%	-23.5	-62.1	4.3	31.9	72.1	14.7	33.3
PEI	137	144	96	124	193	175	135
%	42.7	5.1	-33.3	29.2	55.6	-9.3	-22.9
NS	880	905	1,576	1,331	1,607	1,675	1,750
%	0.7	2.8	74.1	-15.5	20.7	4.2	4.5
NB	458	575	637	889	1,093	1,420	1,230
%	-20.6	25.5	10.8	39.6	22.9	29.9	-13.4
QUE	8,453	9,944	9,346	10,489	17,195	23,000	20,700
%	-13.9	17.6	-6.0	12.2	63.9	33.8	-10.0
ONT	21,093	27,814	30,434	33,650	32,483	39,400	34,500
%	13.0	31.9	9.4	10.6	-3.5	21.3	-12.4
MAN	527	902	212	503	601	1,050	900
%	-11.1	71.2	-76.5	137.3	19.5	74.7	-14.3
SASK	811	1,019	623	754	1,032	1,250	950
%	1.0	25.6	-38.9	21.0	36.9	21.1	-24.0
ALTA	7,045	8,759	9,431	9,405	14,234	14,700	12,500
%	28.1	24.3	7.7	-0.3	51.3	3.3	-15.0
BC	11,240	7,578	6,970	9,372	10,895	13,800	14,500
%	-31.6	-32.6	-8.0	34.5	16.3	26.7	5.1
CAN	51,008	57,778	59,469	66,707	79,660	*96,800	*87,700
%	-5.3	13.3	2.9	12.2	19.4	21.5	-9.4

Source: CMHC Forecast 2003-2004.
(F) Forecast.
* Total does not add due to rounding.

Multiple Housing Starts by Type (Units)

		1998	1999	2000	2001	2002	2003 (F)	2004 (F)
NF	Semi-detached	163	50	44	30	36	50	120
	Row	20	9	23	36	42	60	100
	Apartment	181	79	77	124	249	265	280
	Total	364	138	144	190	327	375	500
PEI	Semi-detached	28	32	46	56	64	40	40
	Row	10	31	21	10	47	50	20
	Apartment	99	81	29	58	82	85	75
	Total	137	144	96	124	193	175	135
NS	Semi-detached	290	218	266	228	253	400	300
	Row	89	29	17	40	144	200	150
	Apartment	501	658	1,293	1,063	1,210	1,075	1,300
	Total	880	905	1,576	1,331	1,607	1,675	1,750
NB	Semi-detached	106	134	113	114	186	180	250
	Row	89	94	26	153	68	130	150
	Apartment	263	347	498	622	839	1,110	830
	Total	458	575	637	889	1,093	1,420	1,230
QC	Semi-detached	1,930	1,586	1,291	1,309	1,855	2,600	2,400
	Row	1,074	1,184	858	869	964	900	1,500
	Apartment	5,449	7,174	7,197	8,311	14,376	19,500	16,800
	Total	8,453	9,944	9,346	10,489	17,195	23,000	20,700
ON	Semi-detached	4,575	6,445	7,167	7,106	6,886	6,400	6,500
	Row	10,073	10,425	10,846	10,269	11,849	12,200	12,000
	Apartment	6,445	10,944	12,421	16,275	13,748	20,800	16,000
	Total	21,093	27,814	30,434	33,650	32,483	39,400	34,500
MAN	Semi-detached	131	90	52	51	68	85	90
	Row	81	151	63	84	76	65	70
	Apartment	315	661	97	368	457	900	740
	Total	527	902	212	503	601	1,050	900
SK	Semi-detached	174	155	148	116	142	100	120
	Row	222	104	173	240	456	485	200
	Apartment	415	760	302	398	434	665	630
	Total	811	1,019	623	754	1,032	1,250	950
ALB	Semi-detached	1,428	1,570	1,518	1,957	2,869	2,500	2,000
	Row	1,512	1,424	1,545	1,779	2,531	2,800	2,500
	Apartment	4,105	5,765	6,368	5,669	8,834	9,400	8,000
	Total	7,045	8,759	9,431	9,405	14,234	14,700	12,500
B.C.	Semi-detached	1,218	816	885	916	1,225	1,240	1,300
	Row	2,117	1,444	1,675	1,686	2,305	3,210	3,400
	Apartment	7,905	5,318	4,410	6,770	7,365	9,350	9,800
	Total	11,240	7,578	6,970	9,372	10,895	13,800	14,500
CAN	Semi-detached	10,043	11,096	11,530	11,883	13,584	13,595	13,120
	Row	15,287	14,895	15,247	15,166	18,482	20,100	20,090
	Apartment	25,678	31,787	32,692	39,658	47,594	63,150	54,455
	Total	51,008	57,778	59,469	66,707	79,660	*96,800	*87,700

Source: CMHC Forecast 2003-2004.
* Total does not add due to rounding.

Total Residential Resales (units and annual percent change)

	1998	1999	2000	2001	2002	2003 (F)	2004 (F)
NFLD	2,288	2,437	2,593	2,808	3,014	3,000	2,900
%	5.4	6.5	6.4	8.3	7.3	-0.5	-3.3
PEI	1,125	1,184	1,206	1,234	1,221	1,200	1,200
%	39.6	5.2	1.9	2.3	-1.1	-1.7	0.0
NS	8,052	8,827	8,577	9,441	10,243	9,450	8,900
%	6.4	9.6	-2.8	10.1	8.5	-7.7	-5.8
NB	3,908	4,376	4,524	4,779	5,089	5,200	5,350
%	-0.8	12.0	3.4	5.6	6.5	2.2	2.9
QUE	45,192	49,792	53,755	61,620	71,001	69,000	70,000
%	4.0	10.2	8.0	14.6	15.2	-2.8	1.4
ONT	138,463	148,659	147,158	162,318	177,406	186,000	176,000
%	-1.5	7.4	-1.0	10.3	9.3	4.8	-5.4
MAN	10,762	10,867	10,612	11,440	10,990	10,800	10,500
%	-3.7	1.0	-2.3	7.8	-3.9	-1.7	-2.8
SASK	8,068	8,053	7,552	7,971	7,933	7,500	7,500
%	-3.3	-0.2	-6.2	5.5	-0.5	-5.5	0.0
ALTA	43,383	42,684	43,311	48,989	51,042	49,000	47,000
%	-0.7	-1.6	1.5	13.1	4.2	-4.0	-4.1
BC	52,910	58,084	54,179	69,554	82,737	88,600	82,600
%	-22.4	9.8	-6.7	28.4	19.0	7.1	-6.8
CAN**	314,151	334,963	333,467	380,154	420,676	*429,800	*412,000
%	-4.8	6.6	-0.4	14.0	10.7	2.2	-4.1

Source: Canadian Real Estate Association and Real Estate Board of the Fredericton Area Inc., CMHC Forecast 2003-2004.
(F) Forecast.
* Total does not add due to rounding. **Canada totals are for 10 provinces

Average Residential Resale Price (dollars and annual percent change)

	1998	1999	2000	2001	2002	2003 (F)	2004 (F)
NFLD	91,514	94,359	99,525	104,376	113,081	118,500	123,000
%	-0.8	3.1	5.5	4.9	8.3	4.8	3.8
PEI	79,577	82,138	82,884	87,696	95,117	96,100	97,100
%	-7.9	3.2	0.9	5.8	8.5	1.0	1.0
NS	97,015	102,628	109,839	115,485	126,669	136,000	139,000
%	0.3	5.8	7.0	5.1	9.7	7.4	2.2
NB	85,948	88,072	91,624	95,947	100,129	103,000	104,500
%	-1.4	2.5	4.0	4.7	4.4	2.9	1.5
QUE	103,947	107,501	111,260	115,865	129,504	149,000	161,000
%	2.2	3.4	3.5	4.1	11.8	15.1	8.1
ONT	167,115	174,049	183,841	193,357	210,699	227,700	242,500
%	1.7	4.1	5.6	5.2	9.0	8.1	6.5
MAN	86,419	86,423	87,884	93,192	96,639	105,000	108,000
%	1.2	0.0	1.7	6.0	3.7	3.7	2.9
SASK	87,577	91,396	94,047	98,310	101,297	105,000	108,000
%	4.3	4.4	2.9	4.5	3.0	3.7	2.9
ALTA	132,905	139,621	146,258	153,737	170,253	183,000	190,000
%	6.4	5.1	4.8	5.1	10.7	7.5	3.8
BC	212,046	215,283	221,371	222,822	238,877	255,000	263,000
%	-3.8	1.5	2.8	0.7	7.2	6.7	3.1
CAN**	152,393	158,180	164,095	171,916	188,168	*205,700	*215,600
%	-1.5	3.8	3.7	4.8	9.5	9.3	4.8

Source: Canadian Real Estate Association and Real Estate Board of the Fredericton Area Inc., CMHC Forecast 2003-2004.
(F) Forecast.
* Total does not add due to rounding. **Canada totals are for 10 provinces

Employment (annual percent change)

	1998	1999	2000	2001	2002	2003 (F)	2004 (F)
NFLD	2.6	5.5	-0.2	3.3	1.2	1.8	1.5
PEI	1.9	1.5	5.3	2.0	1.8	2.5	1.5
NS	3.8	2.4	2.7	0.9	1.2	2.0	1.4
NB	2.3	3.3	1.8	0.0	3.3	0.5	1.5
QUE	2.7	2.3	2.4	1.1	3.4	1.7	2.3
ONT	3.3	3.6	3.2	1.5	1.8	2.6	1.8
MAN	1.9	1.3	2.2	0.6	1.6	0.6	1.0
SASK	1.3	0.8	1.0	-2.6	2.0	1.3	1.5
ALTA	3.9	2.5	2.3	2.8	2.6	2.9	2.5
BC	0.1	1.9	2.2	-0.3	1.6	2.1	2.0
CAN	2.7	2.8	2.6	1.1	2.2	2.2	2.0

Source: Statistics Canada, CMHC Forecast 2003-2004.
(F) Forecast.

Unemployment Rate (percent)

	1998	1999	2000	2001	2002	2003 (F)	2004 (F)
NFLD	18.0	16.9	16.7	16.1	16.9	17.1	16.6
PEI	13.8	14.4	12.0	11.9	12.1	10.4	9.9
NS	10.5	9.6	9.1	9.7	9.7	9.1	9.2
NB	12.2	10.2	10.0	11.2	10.4	10.6	10.6
QUE	10.3	9.3	8.4	8.7	8.6	8.8	8.8
ONT	7.2	6.3	5.7	6.3	7.1	7.1	7.1
MAN	5.5	5.6	4.9	5.0	5.2	4.8	4.7
SASK	5.7	6.1	5.2	5.8	5.7	5.4	5.5
ALTA	5.6	5.7	5.0	4.6	5.3	5.5	5.5
BC	8.8	8.3	7.2	7.7	8.5	8.4	8.4
CAN	8.3	7.6	6.8	7.2	7.7	7.7	7.7

Source: Statistics Canada, CMHC Forecast 2003-2004.
(F) Forecast.

Real Gross Domestic Product (annual percent change)

	1998	1999	2000	2001	2002	2003 (F)	2004 (F)
NFLD	6.9	5.5	5.8	0.9	15.4	4.5	2.0
PEI	4.0	4.2	3.0	0.2	5.7	2.0	2.5
NS	3.8	5.5	4.0	2.6	4.4	2.5	2.3
NB	3.9	6.2	3.1	1.0	4.0	2.0	2.5
QUE	3.2	6.2	4.7	1.8	4.0	2.0	3.2
ONT	4.9	7.5	5.6	1.8	3.6	2.3	2.9
MAN	4.8	1.6	4.6	1.2	2.1	1.5	2.5
SASK	4.2	0.2	3.2	-0.7	-1.5	2.5	3.0
ALTA	4.6	1.4	5.7	2.7	1.5	3.5	3.5
BC	1.5	3.2	4.8	-0.1	2.4	1.7	2.8
CAN	4.1	5.5	5.3	1.9	3.3	1.9	3.0

Source: Statistics Canada, CMHC Forecast 2003-2004.
(F) Forecast.

Total Net Migration* (persons)

	1998	1999	2000	2001	2002	2003 (F)	2004 (F)
NFLD	-7,744	-3,384	-4,725	-3,850	-1,950	-1,200	-1,000
PEI	55	366	20	329	321	600	650
NS	-132	2,313	-564	-334	1,002	1,025	525
NB	-2,506	35	-1,411	-1,331	410	700	750
QUE	2,509	10,983	14,848	26,557	25,925	17,500	22,000
ONT	77,346	109,972	151,099	158,339	125,674	68,000	96,000
MAN	-1,677	820	-377	-973	2,442	-1,400	-1,400
SASK	-1,293	-6,102	-7,648	-7,979	-6,324	-6,200	-5,200
ALTA	45,985	27,793	34,012	36,820	27,084	29,200	27,200
BC	6,859	16,231	14,483	28,231	20,459	24,300	28,600
CAN**	119,402	159,027	199,737	235,809	195,043	132,525	168,125

Source: Statistics Canada, CMHC Estimate 2002, CMHC Forecast 2003-2004.
(F) Forecast.
* Sum of interprovincial migration, international migration, and non-permanent residents.
** Excludes Yukon, Northwest Territories, and Nunavut.

Local Market Indicators

Census Metropolitan Area		Total housing starts	Single-detached housing starts	New housing price index, annual % chg.	MLS® sales	MLS® average price	Rental vacancy rate structures of 3 units +
Victoria	2002	1,344	879	3.6	7069	242503	1.5
	2003(F)	1,800	910	5.7	7,350	315,000	1.8
	2004(F)	1,750	980	6.0	7,400	322,000	1.1
Vancouver	2002	13,197	4980	2.5	34909	301473	1.4
	2003(F)	15,700	5,600	4.0	38,000	319,000	2.3
	2004(F)	16,600	5,700	3.2	36,500	331,000	2.1
Abbotsford	2002	1,038	558	na	3,154	185,900	2.0
	2003(F)	1,180	560	na	3,650	192,000	3.3
	2004(F)	1,230	570	na	3,600	201,000	3.5
Edmonton	2002	12,581	6,860	7.2	15,923	150,165	1.7
	2003(F)	11,600	6,000	6.0	15,800	164,000	4.0
	2004(F)	9,800	5,000	3.5	15,700	172,250	3.0
Calgary	2002	14,339	9,413	5.2	25,054	198,058	2.9
	2003(F)	13,450	8,250	4.5	23,500	211,100	5.0
	2004(F)	12,450	7,750	3.5	22,150	220,000	4.0
Saskatoon	2002	1,489	691	1.5	2,941	118,999	3.7
	2003(F)	1,400	700	2.0	2,900	124,000	3.0
	2004(F)	1,300	700	2.0	3,000	132,000	3.0
Regina	2002	651	504	3.7	2,817	100,751	1.9
	2003(F)	900	550	6.3	2,650	104,000	1.9
	2004(F)	750	500	3.5	2,800	108,000	3.0
Winnipeg	2002	1,821	1,528	2.6	9,881	98,054	1.7
	2003(F)	2,400	1,600	3.7	9,800	108,000	1.0
	2004(F)	2,000	1,400	3.0	9,750	113,000	1.2
Thunder Bay	2002	197	193	1.0	1,599	109,930	4.7
	2003(F)	210	200	1.0	1,679	111,029	3.7
	2004(F)	200	210	1.0	1,729	113,250	3.0
Sudbury	2002	298	292	1.0	2,031	110,826	5.1
	2003(F)	316	310	1.0	2,143	116,400	4.7
	2004(F)	330	320	1.0	2,250	119,900	4.0
Windsor	2002	2,490	1,726	0.5	4,938	149,206	3.9
	2003(F)	2,328	1,625	0.3	5,300	152,000	4.0
	2004(F)	2,200	1,600	0.8	5,100	158,000	2.5
London	2002	2,694	1,969	2.9	8,290	142,745	2.9
	2003(F)	3,053	1,850	4.1	8,395	152,500	2.3
	2004(F)	2,665	1,750	2.8	7,900	157,000	2.6
Kitchener	2002	4,130	3,007	4.1	5,248	177,961	2.3
	2003(F)	3,685	2,760	3.0	5,300	190,250	3.4
	2004(F)	3,200	2,650	4.5	5,050	198,975	2.9
St. Catharines-Niagara	2002	1,337	1,032	1.9	5,950	143,200	2.4
	2003(F)	1,867	1,180	4.0	6,965	154,000	2.1
	2004(F)	1,348	1,100	2.5	5,800	160,000	2.0
Hamilton	2002	3,003	2,259	4.3	12,482	183,442	1.6
	2003(F)	3,450	1,850	6.2	12,700	196,500	3.0
	2004(F)	3,575	1,800	3.8	12,200	207,000	3.5
Toronto	2002	43,805	22,115	3.4	74,759	275,371	2.5
	2003(F)	45,000	20,000	4.2	77,000	293,000	4.0
	2004(F)	41,000	19,000	3.0	75,000	305,000	5.0

Local Market Indicators

Census Metropolitan Area		Total housing starts	Single-detached housing starts	New housing price index annual % chg.	MLS® sales	MLS® average price	Rental vacancy rate Structures of 3 units +
Oshawa	2002	3,490	2,955	na	8,520	204,103	2.3
	2003(F)	3,930	3,050	na	8,700	219,000	2.5
	2004(F)	3,600	2,900	na	8,200	228,000	2.6
Kingston	2002	810	775	na	3,646	144,413	1.0
	2003(F)	810	730	na	3,800	160,000	0.9
	2004(F)	850	750	na	4,000	170,000	0.8
Ottawa	2002	7,796	3,807	7.1	13,231	200,711	1.9
	2003(F)	6,200	2,900	5.0	12,700	220,000	1.6
	2004(F)	6,200	2,900	6.0	12,800	235,000	3.0
Gatineau	2002	2,553	1,574	7.7	3,823	112,755	0.5
	2003(F)	2,600	1,800	5.5	4,000	130,000	1.2
	2004(F)	2,350	1,600	2.0	3,500	135,000	1.1
Montreal	2002	20,554	10,416	5.8	36,295	158,228	0.7
	2003(F)	22,800	10,000	6.2	35,400	184,200	1.0
	2004(F)	23,000	10,300	6.5	37,100	202,000	1.5
Trois Rivieres	2002	619	250	n.a.	923	84,000	3.0
	2003(F)	665	275	n.a.	770	90,000	1.8
	2004(F)	485	240	n.a.	780	95,000	2.5
Sherbrooke	2002	851	416	n.a.	1,229	106,800	1.8
	2003(F)	930	460	n.a.	1,270	117,000	1.0
	2004(F)	850	400	n.a.	1,075	121,000	1.4
Quebec	2002	4,282	2,327	4.3	7,241	107,588	0.3
	2003(F)	5,700	2,500	9.0	6,600	120,000	0.5
	2004(F)	6,000	2,400	6.5	7,000	126,000	1.0
Chicoutimi Jonquiere	2002	596	254	n.a.	993	89,530	4.9
	2003(F)	400	254	n.a.	1,715	90,700	5.5
	2004(F)	470	215	n.a.	1,000	95,200	4.6
Saint John	2002	397	338	2.1	1,505	103,544	6.3
	2003(F)	560	360	3.0	1,500	105,000	6.5
	2004(F)	510	360	2.5	1,550	106,000	6.0
Halifax	2002	3,310	1,865	3.6	6,687	148,737	2.7
	2003(F)	2,800	1,475	4.0	6,100	157,500	2.0
	2004(F)	2,800	1,225	3.5	5,800	159,000	1.9
St. John's	2002	1,350	1,093	4.3	2,893	114,626	2.7
	2003(F)	1,450	1,175	5.0	2,900	120,000	2.5
	2004(F)	1,400	1,025	5.0	2,800	125,000	2.0
Charlottetown	2002	461	292	0.1	551	115,603	2.3
	2003(F)	430	290	1.0	525	118,000	3.0
	2004(F)	390	290	1.0	525	120,000	3.0
ALL METRO AREAS	2002	152,179	84,368	3.7	304,582		1.7
	2003(F)	157,006	79,164	4.5	308,212		2.3
	2004(F)	149,025	75,635	3.7	302,059		2.6

Source: CMHC, Canadian Real Estate Association, Local real estate boards, Statistics Canada, CMHC forecast 2003-2004
n.a.: data not available

Major Housing Indicators
Seasonally Adjusted Annual Rates
(levels and quarterly percent change)

	01:Q4	02:Q1	02:Q2	02:Q3	02:Q4	03:Q1	03:Q2	03:Q3
New housing								
Building permits, units, thousands	183.5	209.2	215.6	218.9	217.4	216.9	218.3	234.9
%	14.2	14.0	3.1	1.5	-0.7	-0.2	0.6	7.6
Housing starts, total, thousands	172.3	208.0	197.8	205.5	211.6	222.2	201.7	230.7
%	9.7	20.7	-4.9	3.9	3.0	5.0	-9.2	14.4
Housing starts, singles, thousands	104.2	124.6	124.3	124.8	129.3	124.2	118.6	125.5
%	10.1	19.6	-0.2	0.4	3.6	-3.9	-4.5	5.8
Housing starts, multiples, thousands	68.1	83.4	73.5	80.7	82.3	98.0	83.1	105.2
%	9.0	22.5	-11.9	9.8	2.0	19.1	-15.2	26.6
Housing completions, total, thousands	41.0	37.0	39.6	54.7	54.3	40.8	n.a.	n.a.
%	-10.8	-9.8	7.0	38.1	-0.7	-24.9	n.a.	n.a.
New house price index, 1997=100	108.0	109.2	110.9	111.9	113.4	114.6	115.9	117.3
%	0.5	1.1	1.6	0.9	1.3	1.1	1.1	1.2
Existing housing								
MLS® resales, units, thousands	421.3	459.7	411.6	402.1	409.3	413.9	421.2	474.9
%	10.3	9.1	-10.5	-2.3	1.8	1.1	1.8	12.7
MLS® average resale price, $C thousands	175.8	183.1	187.9	189.7	192.6	197.9	203.5	208.1
%	0.8	4.2	2.6	1.0	1.5	2.7	2.9	2.2
Mortgage market								
1-year mortgage rate, per cent*	4.70	4.80	5.50	5.33	5.03	5.05	5.08	4.55
5-year mortgage rate, per cent*	6.87	7.05	7.37	6.85	6.80	6.63	6.20	6.28
Residential investment**								
Total, $1997 billions	53.2	56.8	56.4	58.4	59.9	60.4	61.0	n.a.
%	4.3	6.7	-0.8	3.6	2.5	0.9	0.9	n.a.
New, $1997 billions	24.6	27.2	27.8	29.5	30.6	30.1	29.8	n.a.
%	6.1	10.7	2.0	6.4	3.7	-1.8	-1.0	n.a.
Alterations, $1997 billions	20.0	20.3	20.4	20.7	21.0	21.9	22.7	n.a.
%	0.7	1.5	0.3	1.3	1.8	4.1	3.8	n.a.
Transfer costs, $1997 billions	8.6	9.2	8.2	8.3	8.2	8.5	8.6	n.a.
%	7.7	7.0	-10.5	0.3	-0.1	3.3	0.6	n.a.
Deflator, 1997=100	110.0	111.9	113.2	113.2	114.8	115.8	116.4	n.a.
%	0.7	1.8	1.1	0.1	1.3	0.9	0.5	n.a.

Sources: CMHC, Statistics Canada, Bank of Canada, Canadian Real Estate Association.
n.a. Data not available.
* All indicators are seasonally adjusted, except 1-year and 5-year mortgage rates.
** Residential Investment includes outlays for new permanent housing, conversion costs, cost of alterations and improvements, supplementary costs, and transfer costs.